



REQUEST FOR PROPOSAL

March 2005

The U.S.–China Economic and Security Review Commission (“The Commission”) invites submission of proposals to develop a formal econometric model examining the impact of China on the U.S. economy.

The Commission intends to undertake a multi-year project that enables it to understand China’s economic impact on the United States. This proposal should be viewed as the first step in this multi-year project.

ABOUT THE COMMISSION. The Commission was established by Congress in 2000 to monitor and report to Congress on the economic and national security dimensions of the United States’ trade and economic ties with China. Further details about the Commission are available on its website: www.uscc.gov

ABOUT PROPOSALS. The Commission seeks proposals to develop an econometric model of the main features of the U.S.–China economic relationship and their impact on the U.S. economy. Proposals should aim to identify the macroeconomic impact on the U.S. economy, on specific U.S. economic sectors, and on the future standard of living and growth of the U.S. economy.

Specific issues the Commission wishes to identify and quantify are the impact of China’s economic development and policies on:

- Total U.S. employment.
- U.S. manufacturing employment and U.S. manufacturing output.
- U.S. service sector employment.
- The broader labor market – both primary and secondary -- including impacts on wages and income distribution.
- The U.S. trade deficit.
- Total U.S. imports and imports from China.
- Total U.S. exports and exports to China.
- U.S. personal income and corporate profits.
- U.S. energy and commodity prices.

- Total U.S. investment spending and its composition.
- U.S. research and development spending and the implications of that impact for future innovation and U.S. technological leadership.
- The U.S. financial sector, including financial markets, stock values, and long-term interest rates.
- The U.S. inflation rate.

In addition, the econometric model that is developed should enable an understanding of the economic effects of China's exchange rate on the U.S. economy and the likely consequences of a revaluation of the renminbi on trade flows, the trade deficit, and U.S. interest rates. This should include the analysis of various options: upward revaluation of the renminbi against the dollar, floating the exchange rate, revising the peg to a market basket of currencies, and other options.

The model should also enable an understanding of the impact that changes in China's economic policies are having on foreign direct investment in China, in the U.S., and in other affected countries.

Finally, the Commission also is interested in understanding the impact of China's economic policies and performance on international trade flows.

The Commission expects the model to provide estimates of short- and long-term impacts of various modeling outcomes. To the extent it is possible to provide them, the Commission is interested in estimates of various outcomes over 1, 3, 5, 10 and 25 years.

Proposals should include:

- (i) a statement of technical work;
- (ii) an estimate of time and resources needed;
- (iii) a work schedule and completion date; and
- (iv) an itemized list of deliverables.

All modeling will be performed by the contracting firm. At the Commission's discretion, modeling results may be posted on the Commission's website.

The Commission will determine to which organization responding to this request to award this work based on "best value" analysis of the proposals received, including costs, technical value, and ability to complete the work satisfactorily and deliver on time.

CONTRACTING PROCEDURE.

The Commission intends to contract with several firms to engage in a preliminary phase of developing a model. The Commission will select one or more of these firms to engage in a more comprehensive long-term relationship with the Commission to use the developed model to provide periodic updates to the Commission on the changing nature

of the U.S.-China economic relationship. Additionally, from time-to-time, the contracting firms may be asked to perform, on a fee-for-service basis, “ad hoc” analysis of specific issues and their impact on the overall U.S.-China economic relationship.

Each organization responding to this request must warrant that it is performing this work solely for the Commission and that results will not be shared with other parties without the prior written consent of the Commission.

The Commission is authorized by Congress, but is subject to the annual appropriations process. Accordingly, while the Commission expects that the chosen firm(s) will engage in work for the Commission on a long-term basis, work plans will be subject to annual review in accordance with federal contracting procedures and guidelines and annual funding limitations.

Firms wishing to submit a proposal in response to this Request for Proposal must do so in such a manner that the response arrives at the following location by 5:30 p.m. Friday, April 29, 2005:

Electronic submissions are acceptable.

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